

# **Ernesto ‘Che’ Guevara’s contribution to socialist political economy, industrial organisation and economic development in Cuba 1959-1965**

*Helen Yafe*

Start with explanation about my doctorate. It was done in the economic history department of the London School of Economics, based on original archive material and over 70 interviews with nearly 40 of Che Guevara’s closest collaborators. Includes some aspects of Guevara’s work about which material has never been published, or very little has been. For example, his involvement in changing the Cuban banknotes, his institutionalisation of psychology as an economic management tool, the establishment of nine research and development institutes and his setting up of Guanahacibibes rehabilitation – or labour – camp.

(Start with powerpoint of Fidel and Chavez quotes)

40<sup>th</sup> anniversary of Guevara’s death

Gustavo Villoldo and the auction of Guevara’s hair, fingerprints, map and photos of his corpse. Received lowest bid of \$100,000. (£48,755) Most recent and crude attempt by the rich and powerful to commodify the memory of Guevara, but never succeeded in depoliticising or co-opting the symbolism of Guevara.

(Show powerpoint with images of the auction items)

Sole bidder, Bill Butler, a 61-year old Texas bookstore owner and collector of ’60s memorabilia. Mr Butler told reporters that Guevara was: ‘one of the greatest revolutionaries in the 20th century’ and that it was ‘a great feeling’ to own the items, which he said he would display in his bookstore.

(powerpoint with newspaper images of events for 40 anniversary of Guevara’s death)

Meanwhile, in Latin America tens of thousands participated in events celebrating Guevara’s life. At least 7,000 people took part in a 60 km walk from La Paz in Bolivia to La Higuera where Guevara’s corpse had been buried. This was part of the 2<sup>nd</sup> World Meeting Che Guevara. On 8<sup>th</sup> October Bolivian President Evo Morales declared that the policies being pursued by his government in Bolivia are “100 percent Che and 100 percent socialist.” One week later, Venezuelan President Hugo Chavez travelled to Cuba to record his weekly live television show ‘Alo Presidente, to the Mausoleum in Santa Clara where the remains of Guevara and his comrades have been transferred.

In Cuba, Ministries, institutions, workplaces, trade unions, study centres, grass roots and cultural organisations throughout Cuba organised events to pay tribute to Guevara’s contribution. Many of these events, in the Ministry of Planning, the Ministry of Basic Industries, the state petroleum company, for example, emphasised Guevara’s opposition to adopting capitalist mechanisms to resolve problems within the socialist economy. They recalled his prediction that ‘liberalisation’, or market socialism, would lead to the restoration of capitalism in the Soviet bloc.

These commemorative his event reinforce a process already underway, a reevaluation and return to Guevara’s ideas of building socialism. If we want to understand the implication of this return to Guevara’s ideas in both Cuba and Latin America we have to understand his radical political economy. My purpose today is to summarise his theoretical principles and their influence on the practical policies he developed as a member of the Cuban government.

(Powerpoint of Guevara’s biography)

### **Outline biography of Guevara's life**

**1950** - Travelling through Latin America – experience of poverty, exploitation, inequality, marginalisation and penetration of mainly US capital – US imperialism.

**1952** - CIA-organised coup d'état against democratically elected government of Jacob Arbenz in Guatemala. In the immediate aftermath 21,000 people were killed by the forces of reaction and another 72,000 placed on a death squad hit list.

Guevara's lessons: 1) US government will tolerate nothing that challenges its domination or the interests of US capital. It can never be trusted or negotiated with. 3) Danger in trusting the standing army – need to create independent revolutionary armed forces. 2) Need to arm the working class to defend the gains it has achieved.

**1956** – In Cuba – Rebel Army: Guevara as social reformer, cottage industries and workshops, schools and land reform.

**1958** - Requests books on Cuban economy from Escambray in October 1958.

### **Guevara's roles in Cuba from 1959 to 1961**

Guevara was central in driving the structural changes which transformed Cuba from semi-colonial underdevelopment to independence and integration into the socialist bloc between 1959 and 1961.

- Purging the old army,
- Agrarian Reform Law,
- Forging unity between internal revolutionary forces – a process leading to creation of what is today the CCP and UJC.
- Leading the first overseas mission to expand trade and relations. During this three month trip, Guevara went to Yugoslavia. His first experience with the Soviet economic management system. Guevara described Yugoslavia as 'managerial capitalism with a socialist distribution of the profits' and pointed possibility that competition between enterprises could distort the socialist spirit.
- Head Department of Industrialisation during nationalisations – 84% of industry in Cuba were nationalised.
- As US companies and subsidiaries fell into state hands, Guevara personally studied their documentation. Gave him an insight into high efficient business practices.
- Head of the National Bank – All financial institutions were nationalised. He prepared in secret to change the country's banknotes to prevent the financing of the counter-revolution and control inflation.
- In February 1961 he became Cuba's first Minister of Industries.

(Powerpoint of socialism = productivity and consciousness)

**Socialism = productivity + consciousness.**

For Guevara, the triumph of the Revolution depended not just in the seizure of state power – but rather in the transformation of society - the construction of socialism. As he marched into Havana with his Rebel Army column, he warned his comrades in arms that the hard work was just beginning. By summer 1959 had declared to his colleagues that the Revolution was building socialism in Cuba – this was more than 1 ½ years before the declaration of socialism and the majority of the country's wealth was still in private hands.

Guevara began an intensive study of Marxist texts in order to understand the problems of transition to socialism. What was the difference between capitalism and socialism? What were the key characteristics of capitalist society and how could the Revolution replace those characteristics with new institutions and different ways of organising society? How could you change the values and attitudes of workers born and brought up under capitalism – a system of exploitation and inequality? How could you eradicate class divisions and put the working class in control.

Marx and Engels had envisaged communism arising first out of the most developed capitalist countries. Those societies would already have a huge accumulation of wealth and technology which, when transferred into the hands of the working class would liberate them from exploitation. However, in reality the only countries which had begun to construct socialism were underdeveloped – they didn't they huge advanced monopoly industries, big accumulations of capital for investment, advanced technology or a dominant industrial proletariat.

The Soviet solution had been to use capitalist tools in an attempt to speed up the industrialisation process – competition, the profit motive, material incentives, credit, interest and so on. Guevara argued that depending on capitalist levers to production, without also recognising the need to change the attitude and values of people, would reproduce capitalist social-relations and consciousness. For example, offering material incentives *only* to workers to increase their efforts would reproduce greed and self-interest.

Guevara warned that the Soviet approach lacked the efficiency of the 'free-market', with its aggressive fight for profits, because the state plan and legally defined relations of production prevented exploitation and capitalist accumulation. At the same time, the Soviet system also failed to foster the collective consciousness in workers which was a precondition for socialism and communism. Socialism not only has to produce for the material needs of workers, but it also has to promote the fullest possible development of human beings, placing them, and not profit at the centre of society and development.

At that time, there was a move within the Eastern European socialist countries to increasingly 'liberalise' their economies – which meant introducing more capitalist mechanisms to solve the problems of economic stagnation and bureaucracy. Guevara warned as early as 1964 that this 'market socialism' would lead to the return of capitalism.

Guevara set himself the challenge of creating an alternative system – alternative to the system of economic management in the Soviet bloc countries. He aimed to prove that it was possible to carry out the transition to socialism, in conditions of underdevelopment, without depending on capitalist categories to develop the productive forces. Guevara's major contribution was to argue that it was both necessary and possible to develop a socialist consciousness at the same time as increasing productivity and efficiency. He said:

(click current powerpoint for quote)

'We maintain that the development of consciousness does more for the development of production in a relatively short time than material incentives do. *We take this stance because our society's development is generally projected to lead to communism.* This presupposes that work will cease to be a painful necessity and become an agreeable imperative.'

Guevara created the Budgetary Finance System. It was a major contribution to socialist political economy, industrial organisation and economic development in Cuba. It serves as testimony to importance of praxis – the test of theory in practice and theoretical refinement on the basis of practical experience.

(Powerpoint on evolution of BFS)

### **Guevara's Budgetary Finance System**

- 1) Emerged as a practical measure to deal with concrete problems following nationalisations, the exodus of managers and technicians and the imposition of the US blockade. It responded to these obstacles by centralising both administrative apparatus and financial resources.
- 2) Guevara was impressed with the efficiency of the centralised and internal budgeting and accounting practices of the US companies and subsidiaries which fell into state hands with the nationalisations. Some capitalist categories were removed in operations within monopolies.

Under socialism, where production and distribution were determined by a plan, it was even more important to centralise budgets and administration.

- 3) Guevara wanted Cuba be considered as one big factory. This means that there is no competition between state enterprises - no credit, no interest, no profit, no autonomous investments – because there is no change of ownership when goods or services are transferred from one to another. Enterprises don't have individual financial resources, funds are centralised and budgets allocated according to social and political imperatives, determined by the plan.
- 4) Guevara insisted that the Revolution adopt the most advanced technology and administrative techniques available, regardless of whether they originate in imperialist countries. For him, it was not ideological question.

(Powerpoint on title of theme)

#### **Education, training and salaries**

- a) Apparatus to institutionalise the national education drive – in context of exodus of professionals and technicians in industry.
- b) Education as culture, political education and education for production.
- c) Class rooms in every factory, workshop or plant. Students become teachers.
- d) Policies for educating the unemployed, created a new salary scale with financial incentive to skills training. Embedded concept of '*superación*' in Ministry.

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- e) **Breaking link between salaries and remuneration (or work and earnings), decommodifying labour and equating self-improvement with social development.**

(Powerpoint on title of theme)

#### **Administrative control**

- a) The BFS borrowed from centralised budgeting and administrative techniques of capitalist firms. Budgets allocated according to politico-economic objectives.
- b) Administrative control ensures primacy of the plan. The Ministry of Industries operated under administrative control, as opposed to financial control inherent in Soviet system. Under financial control, for example, a socialist factory could become bankrupt. Under administrative control it could continue to produce at a loss until administrative measures are taken to resolve its problems.

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- c) **The Plan must be democratically formulated by workers. Once agreed, its fulfilment was ensured by system of supervision, inspection and economic analysis in real time. The BFS also introduced inventory controls, investment strategies and annual reports.**
- d) **For Guevara, cost reduction was the key lever to increase productivity, not the monetary profit.**
- e) He was working with experts to introduce computer based statistical analysis in real time – even while struggle against the basic innumeracy of new, undereducated working class administrators.

(Powerpoint on title of theme)

#### **Collectivising production and workers' participation**

- a) Guevara introduced numerous policies within the Ministry of Industries to promote the collectivisation of production and workers' participation. These initiated a dynamic integration and the fostered democratic participatory character of the Revolution.
- b) His aim was to tap into the creative energy of the workers to find solutions to daily production problems and to equip the working class for increasingly decentralised and direct control over production.

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**Workers management is essential under socialism, because it means workers identify themselves as owners of the means of production.**

- c) The success of these policies depended the Revolution's ability to change workers attitude to 'the bosses' and the production process. After years of being enslaved by the production process, workers now had to feel liberated through it.
- d) Most of these policies introduced remain embedded in Cuban society today.

(Powerpoint on title of theme)

### **Science and Technology**

- a) Science and technology are the key to productivity and are therefore one of the two pillars on which socialism is constructed. They were also the key to Cuba's self-sufficiency and economic development.

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- b) **Under capitalism, competition for profits constantly revolutionises the productive forces. The challenge under socialism is to foster the application of science and technology to production without depending on the profit motive and competition.**

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- c) **Guevara set up nine research and development institutions within Ministry of Industries.** Two of these related to sugar. First was a task force to initiate the mechanisation of the sugar harvest and the second was an institution to develop by-products of sugar cane. (Bagazo = cardboard, paper, synthetic fibres including for use in the medical industry, cosmetics, animal feed. Syrup from cane juice = rum. Sugar = sweets etc).

Two institutes for mineral and metallurgy industries – focussing on the nickel industry and the search for oil. Two institutions for machine construction and technological development in general; An office to study and train specialists for future projects to introduce electronics and automation; An institution for the development of the chemical industry, experimenting with the use of agricultural products in industry and finally, the experimental farm which provided the plants for industrial, medicinal and pharmaceutical purposes ie 'green medicine'.

- d) These projects were based on Cuba's concrete conditions. In the context of US blockade the immediate goal was to substitute imports, increase value added to primary materials, produce spare parts and create a machine-tools industry.
- e) There were many obstacles to these ambitious projects, however, there were also tangible results and all the institutes remain in Cuba in some form. Guevara's main contribution was to have institutionalised research and development as part of national development strategy and to have laid the foundations for the technical and scientific training infrastructure which is so strong in Cuba today.

(Powerpoint on title of theme)

### **Consciousness**

- a) Guevara was concerned for the human condition. Changes in the relationships of production are reflected in human consciousness.

- b) Incentives are the key to raising productivity and efficiency. Under capitalism, material incentives are what motivate action: self-interest, profit, competition, fear of unemployment. Guevara wanted to replace these with moral incentives: collective consciousness, voluntary labour, socialist emulation – the concept of work as a social duty – a debt to one’s society.

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‘In order for it to develop in culture, work must acquire a new condition; man as a commodity ceases to exist, and a system is established that grants a quota for the fulfilment of social duty...

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We are doing everything possible to give work this new category of social duty and to join it to the development of technology, on the one hand, which will provide the conditions for greater freedom, and to voluntary work on the other, based on the Marxist concept that man truly achieves his full human condition when he produces without being compelled by the physical necessity of selling himself as a commodity.’<sup>1</sup>

- c) Work indiscipline was failing to meet a social obligation; a moral ‘disincentive’ applied. Guevara set up Guanahacabibes, an agricultural labour camp for managers guilty of lacking discipline. Did not apply for criminal cases, these tried in criminal courts. Did not apply for normal workers, only managers. Was ‘voluntary’, could chose to leave the ministry. Guevara insisted that no stigma be attached.
- d) Challenge is to replace alienation and antagonism with integration and solidarity. All very well to criticise the Eastern European socialism for the lack of emphasis on socialist consciousness, but what kind of practical policies can you introduce to affect a change in members of society?
- e) Far from ‘idealist’, Guevara’s emphasis on consciousness and voluntary labour was integral to his Marxist analysis of the capitalist mode of production.

### **Guevara’s legacy in Cuba**

April 1965, Guevara left Cuba:

(‘I will not die as a bureaucrat. I will die fighting in the mountains.’)

Guevara was convinced that the BFS constituted a major advance in socialist political economy. Despite the nationalisations, shift in trade relations, introduction of state planning, exodus of managers and professionals, imposition of the US trade blockade, invasion and the threat of nuclear conflagration, under Guevara’s directorship, Cuban industry stabilised, diversified and grew – testimony to his capacity for economic analysis, structural reorganisation and the mobilisation of resources.

The Ministry of Industries (MININD) was a huge apparatus and it had already begun to be divided 1964-1967: Ministry of Sugar (MINAZ), food stuffs branch passed to INRA, Ministry of Light Industry, Ministry of Electricity, left Ministry of Basic Industry.

Guevara hoped that other ministries would adopt the BFS although he was aware that members of the government did not approve of his system.

October 1967, Joel Doménech Benitez became the new minister of Basic Industry. Dismantled many of Guevara’s structures and control mechanisms. Appeared as a rejection of Guevara’s BFS, but paradoxically, in 1967, the Central Planning Board (JUCEPLAN) instructed all Cuban ministries to implement a new Registry System which President Osvaldo Dorticos apparently believed was consistent with Guevara’s ideas on economic management.

In reality, it abandoned vital key premises of Guevara’s system; cost control as a means to increase productivity and efficiency. The resultant lack of economic control and the consequent

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<sup>1</sup> Guevara, *Socialism*, 346.

fall in production and productivity, lead ultimately to the adoption of the Soviet Planning and Management System in 1976, which Guevara had so fervently opposed.

Whilst the Cubans struggled to achieve a uniform economic management system, Guevara continued to develop his theoretical positions whilst overseas, with his critical notes of the Soviet Manual of Political Economy. These were written 1965-1966, after six years of experience working in the Cuban government.

**Rectification** mid-1980s: Fidel drew on Guevara's incisive warnings that market socialism would lead to capitalist restoration to pull Cuba back from the Soviet model, reemphasising the importance of consciousness in the process of socialist construction.

**Soviet bloc collapsed 1990:** Cuban economy to plunged into crisis, lost of 85% of its trade, 35% fall in GDP. Measures introduced to permit the market to operate in some economic sectors. Trade relations. Economic situation gradually began to improve. Since 2005, Cuban growth rates of 8-12%.

Return to tenets of Guevara's economic management system: centralisation of budgets and finances, exploitation of endogenous (domestic) resources, diversification of agriculture, major investment in science and technology for industrial and medical production, elimination of some internal commercial relations, the use of voluntary labour and emphasis on socialist consciousness and education.

**Battle of Ideas 2000:** Guevara's concept that education and culture are key tools to create commitment to political ideas, but remain abstract if the standard of living doesn't alleviate daily concerns for survival. Necessary to raise Cuba's productive capacity. As Guevara said, the two pillars on which to construct socialist society are productivity and consciousness.

**Raul Castro's speech on 26 July 2007** – also echoed many of Guevara's concerns and concepts. Low salaries compared to high food prices. Only solution is raise productivity and increase and rationalise production. Need to reduce imports and save hard currency. Even while Raul stated the need for more foreign investment he emphasised the importance of the plan and predominance of socialist property.

**Process of popular consultation:** Guevara's belief in tapping into creative energy of the workers to find solutions to daily production problems, and the concept of work as a social duty and the obligation to contribute the improving the Revolution. The results will provide a insight into the state of production, trade unions and grassroots organisations. The risk lies in raising expectations which cannot be met. But the consultation is expected to generate concrete solutions, although no government policies or resolutions can solve some problems linked to international economy.

Some Cubans are proposing **individualistic solutions** to material scarcity – to improve conditions for individuals by increasing private property relations and capitalist mechanisms in Cuba. For example, the right to sell property direct to a consumer or the transference of state land into the hands of family or cooperative farms. The desire to remove state control is the result of the state's inefficiency in resolving production and distribution problems. However, if the government concedes to these demands it will be open the gate to capitalist property relations. The Cuban left opposes those who advocate economic and political 'liberalisation' by citing Guevara's incisive warnings about market socialism leading to capitalist renovation.

(if time....)

### **Che Guevara's legacy in Latin America**

Other processes reinforce the *Guevarista* line. On 13 October, Venezuelan President Hugo Chavez returned in Cuba to sign **14 new collaborative projects between Cuba and Venezuela** in the areas of construction, energy, tourism, petrochemicals, fishing, telecommunications and nickel (352 joint projects, across 28 sectors of economic and social development).

Raul said: 'the search for a just and sustainable development and true integration - which cannot be the blind child of the market – marks the principles of collaboration between both countries and their economic links.' This significantly expands the Bolivarian Alternative for the Americas (ALBA), a project of humanitarian, economic and social cooperation between Cuba, Venezuela, Bolivia and Nicaragua, in **exchanges which are not determined by market forces** and the operation of the law of value. ALBA has become a mechanism for ideological exchange and the *Guevarista* influence is clear.

Latin American left regimes face many of the **same challenges** which Guevara and Cuba faced in the early 1960s. Their economies are lopsided and distorted - with highly developed key industries surrounded by seas of underdevelopment. They are held to ransom by massive debt and threatened by international finance capital, with its power to bankrupt or decapitalise countries overnight. Wealth, the means of production and power structures are still largely in private hands. Every measure they enact to transfer them into the hands of the working class, or the state, will be met with aggression from imperialism and its domestic allies.

In **Venezuela**, every month new apparatus, new institutions and new socio-political and economic forms are experimented with. Some are essential tenets of socialist society – nationalisations, welfare provision, social production and workers' management. Others draw on Guevara's model: endogenous development, consolidated enterprises, participatory budgets, the co-option of capitalist techniques and technicians for social production and emphasising consciousness while undermining the reproduction of capitalist productive relations. The challenge remains to equip the working class for management of the economy, to raise its collective consciousness and to depend less each day on capitalist levers to action.

There are sections within the Bolivarian Revolution who aim to bolster the domestic capitalist class. Chavez, who leads the pro-socialist tendency, adopts Guevara's ideas on socialist transition to counter that current.